

SAMPLE TEST 4 - ANSWER

I. ACCOUNTING (10 questions)

1. A company receives rent from a large number of properties. The total received in the year ended 30 April 20X7 was \$481,200. The following were the amounts of rent in advance and in arrears at 30 April 20X6 and 20X7:

	30 April 20X6	30 April 20X7
	\$	\$
Rent received in advance	28,700	31,200
Rent in arrears (all subsequently received)	21,200	18,400

What amount of rental income should appear in the company's statement of profit or loss for the year ended 30 April 20X7?

- A. \$486,500
- B. \$460,900
- C. \$501,500
- D. \$475,900**

Answer: Rental income = 28,700 - 21,200 + 481,200 - 31,200 + 18,400 = 475,900.

2. Which of the following statements is/are correct?
- (i) A statement of cash flows prepared using the direct method produces a different figure to net cash from operating activities from that produced if the indirect method is used
 - (ii) Rights issues of shares do not feature in a statement of cash flows
 - (iii) A surplus on revaluation of a non-current asset will not appear as an item in a statement of cash flows
 - (iv) A profit on the sale of a non-current asset will appear as an item under cash flows from investing activities in the statement of cash flows.

- A. i and iii only
- B. iii and iv only
- C. ii and iv only
- D. iii only**

3. Xena has the following working capital ratios:

	20X7	20X6
Current ratio	1.2:1	1.5:1
Receivable days	75 days	50 days
Payable days	30 days	45 days
Inventory turnover	42 days	35 days

Which of the following statements is correct?

- A. Xena's liquidity and working capital has improved in 20X7
- B. Xena is receiving cash from customers more quickly in 20X7 than in 20X6
- C. Xena is suffering from a worsening liquidity position in 20X7**
- D. Xena is taking longer to pay suppliers in 20X7 than in 20X6

4. A company's statement of profit or loss for the year ended 31 December 20X6 showed a net profit of \$83,600. It was later found that \$18,000 paid for the purchase of a motor van had been debited to the motor expenses account. It is the company's policy to depreciate motor vans at 25% per year on the straight-line basis, with a full year's charge in the year of acquisition.

What would the net profit be after adjusting for this error?

- A. \$106,100
- B. \$70,100
- C. \$97,100**
- D. 101,600

Answer: Net profit = 83,600 + 18,000 – 25% x 18,000 = 97,100

5. At 31 December 20X6 the following require inclusion in a company's financial statements:
- (i) On 1 January 20X6 the company made a loan of \$12,000 to an employee, repayable on 1 January 20X7, charging interest at 2% per year. On the due date, she repaid the loan and paid the whole of the interest due on the loan to that date.
 - (ii) The company paid an annual insurance premium of \$9,000 in 20X6, covering the year ending 31 August 20X7.
 - (iii) In January 20X7 the company received rent from a tenant of \$4,000 covering the six months to 31 December 20X6.

For these items, what total figures should be included in the company's statement of financial position as at 31 December 20X6?

- | | | |
|-----------|--------------------------------|-----------------------------------|
| A. | Current assets \$10,000 | Current liabilities \$12,240 |
| B. | Current assets \$22,240 | Current liabilities \$ nil |
| C. | Current assets \$10,240 | Current liabilities \$ nil |
| D. | Current assets \$16,240 | Current liabilities \$ 6,000 |

Answer: Current assets = 12,000 + 2% x 12,000 + (8/12) x 9,000 + 4,000 = 22,240

6. Which TWO of the following errors would cause the total of the debit column and the total of the credit column of a trial balance not to agree?
- (i) A transposition error was made when entering a sales invoice into the sales day book
 - (ii) A cheque received from a customer was credited to cash and correctly recognised irreceivables
 - (iii) A purchase of non-current assets was omitted from the accounting records

(iv) Rent received was included in the trial balance as a debit balance

- A. i and ii
- B. i and iii
- C. ii and iii
- D. ii and iv**

7. Annie is a sole trader who does not keep full accounting records. The following details relate to her transactions with credit customers and suppliers for the year ended 30 June 20X7:

	\$
Trade receivables, 1 July 20X6	130,000
Trade payables, 1 July 20X6	60,000
Cash received from customers	686,400
Cash paid to suppliers	302,800
Discounts allowed	1,400
Discounts received	2,960
Contra between payables and receivables ledgers	2,000
Trade receivables, 30 June 20X7	181,000
Trade payables, 30 June 20X7	84,000

What figure should appear for purchases in Annie's statement of profit or loss for the year ended 30 June 20X7?

- A. \$325,840
- B. \$330,200
- C. \$331,760**
- D. 327,760

Answer: Purchase = 84000 + 2000 + 2960 + 302800 – 60000 = 331760

8. Which of the following statements are TRUE of limited liability companies?

- (i) The company's exposure to debts and liability is limited
- (ii) Financial statements must be produced
- (iii) A company continues to exist regardless of the identity of its owners

- A. i and ii only
- B. i and iii only
- C. ii and iii only**
- D. i, ii and iii

9. Which of the following explains the imprest system of operating petty cash?
- A. Weekly expenditure cannot exceed a set amount
 - B. The exact amount of expenditure is reimbursed at intervals to maintain a fixed float**
 - C. All expenditure out of the petty cash must be properly authorised
 - D. Regular equal amounts of cash are transferred into petty cash at interval
10. Which of the following calculates a sole trader's net profit for a period?
- A. Closing net assets + drawings – capital introduced – opening net assets
 - B. Closing net assets – drawings + capital introduced – opening net assets
 - C. Closing net assets – drawings – capital introduced – opening net assets
 - D. Closing net assets + drawings + capital introduced – opening net assets

II. AUDITING (10 questions)

11. Independent auditing can best be described as:
- A. A branch of accounting
 - B. A discipline that provides assurance regarding the results of accounting and other functional operations and data.**
 - C. A professional activity that measures and communicates financial and business data.
 - D. A regulatory function that prevents the issuance of improper financial information.
12. Which of the following best describes the primary reason an independent auditor reports on financial statements?
- A. To give stockholders some assurance that any fraudulent activities will be detected.
 - B. To identify a poorly designed internal control structure that may produce unreliable financial statements.
 - C. To provide expertise to clients, which may not be totally knowledgeable of prevailing VAS.
 - D. To add credibility where appropriate, since the client may not be perceived as objective with respect to its own financial statements.**
13. The fact that errors and/or omissions in certain relatively insignificant account balances would not affect an auditor's decision when reporting on the financial statements as a whole relates most closely to which major audit concept?
- A. Materiality**
 - B. Audit risk
 - C. Management assertions
 - D. Reasonable assurance

14. Audit evidence:

- A. May only be gathered from parties external to the client to be reliable.
- B. May only be gathered from the client to be reliable since the client is the most knowledgeable source of information.
- C. May only be gathered from computerized sources to avoid human error.
- D. Can be gathered from many sources and is not limited to the underlying accounting data.**

15. The most favorable type of audit report opinion for the client to receive is:

- A. Qualified
- B. Unqualified**
- C. Full assurance
- D. Exceptional

16. The study and practice of auditing is unlike other areas in accounting because it:

- A. Requires the memorization of formulas and patterns.
- B. Requires the knowledge of GAAP.
- C. Requires common sense and some creativity.**
- D. Is required by law for all companies in the United States.

17. Which of the following management assertions is generally of *greatest* importance in the audit of inventory?

- A. Existence**
- B. Completeness
- C. Rights and Obligations
- D. Presentation and Disclosure

18. To exercise due professional care, an auditor should:

- A. Attain the proper balance of professional experience and formal education.
- B. Critically review the work performed and judgment exercised by those assisting in the audit.**
- C. Examine all available corroborating evidence supporting management's assertions.
- D. Design the audit to detect all instances of illegal acts.

19. Which of the following statements best describes an auditor's responsibility to detect errors, fraud and illegal acts?
- A. The auditor should study and evaluate the client's internal control system and design the audit to provide reasonable assurance of detecting all errors and fraud.
 - B. The auditor should consider the types of errors and fraud that could occur and determine whether the necessary internal controls are prescribed and are being followed.
 - C. The auditor should assess the risk that errors and fraud may cause the financial statements to contain material misstatements and design the audit to provide reasonable assurance of detecting material errors and fraud.**
 - D. The auditor should assess the risk that errors and fraud may cause the financial statements to contain material misstatements and determine whether the necessary internal controls are prescribed and are being followed satisfactorily.
20. The concept of materiality as it applies to a financial statement audit:
- A. Relates primarily to the audit fees involved.
 - B. Generally, involves less professional judgment for public companies.
 - C. Is determined, in part, based on how financial statement users may be influenced in making decisions.**
 - D. Relates primarily to the quantity of audit procedures performed.

III. TAX (10 questions)

21. On 1 January 2014, company CRS Co purchased a 16-seat car for VND 2,640 million (including value added tax (VAT)) with proper invoices. The car will be depreciated for five years.

What is the amount of the adjustment for non-deductible expenses which CRS Co should make for the car in its tax return for the year 2014?

- A. VND0 million**
- B. VND208 million
- C. VND320 million
- D. VND528 million

Answer: No adjustment required because the car has more than nine seats and so depreciable in full.

22. Which of the following items of income would NOT be subject to personal income tax in Vietnam?
- (i) Medical support for fatal disease from the employer to the parent-in-law of an employee
 - (ii) One-time round trip home leave air fares for the family of an expatriate employee
 - (iii) Kindergarten tuition fees for the children of a Vietnamese employee working abroad
 - (iv) Voucher issued by the employer to an employee for lunches in the canteen operated by the employer

- A. i, ii and iii
- B. ii, iii and iv
- C. i, ii and iv
- D. i, iii and iv**

Answer: According to points g1, g5, g6, g7 of Article 2 point 2 of Circular 111/2013/TT-BTC.

23. At the end of 2014, company, BND Co, paid bonuses to its board of directors of VND3,000 million. Each of the five directors is paid an equal amount of bonus. Two out of the five directors are not involved in the daily management of the company's business.

What is the amount of tax deductible expenses which BND Co will be able to claim for theyear 2014?

- A. VND3,000 million
- B. VND1,200 million
- C. VND1,800 million**
- D. VND0 million

Answer: The expenses for three out of five board members who are involved in dailymanagement would be deductible. ($3/5 \times 3000 = 1800$)

24. Which of the following transactions would be subject to foreign contractor tax (FCT) inVietnam?
- (i) Repair of a Vietnamese internet cable offshore
 - (ii) Online training for the employees of a Vietnamese company where the server is hostedoverseas
 - (iii) An intermediary arrangement for a Vietnamese company to provide services in Singapore
 - (iv) Granting of rights to a Vietnamese company to use the international brand name of aworld-famous product in Vietnam
- A. i and ii
 - B. ii and iv**
 - C. i and iii
 - D. iii and iv

25. In 2012, company CTC Co contributed capital of VND500 million to Company Z. In 2014, CTC Co transferred 60% of the capital it held in Company Z to a foreign company for VND450 million. At that time the retained earnings of Company Z were VND5 million. CTC Co incurred transfer expenses of VND10 million.

What is the taxable income/(loss) of CTC Co from the transfer?

- A. VND50 million (loss)
- B. VND140 million**
- C. VND145 million
- D. VND147 million

Answer: VND450 million – VND500 mil * 60% – VND10 million = VND140 million.

26. Ms Nga Le is a Vietnamese national with no dependants. On 1 January 2020, she signed a gross employment contract with salary of VND260 million per month. Her employer is not required to withhold compulsory insurance from her income.

What is the amount of Ms Nga Le's monthly net take home income?

- A. VND 81.15 million
- B. VND 78 million
- C. VND 178.85 million
- D. VND 182.7 million**

Answer: 260 million – [(260 million – 11 million) * 35% – 9.85 million] = 182.7 million.

27. TDP Co, a Vietnamese company applying the value added tax (VAT) deduction method, provided services to a foreign customer for VND200 million and charged VAT at 5% on the invoice. In a tax review by a consultant, it was identified that the VAT rate used on the invoice should have been 10%, however, TDP Co can no longer claim back the undercharged VAT from the foreign customer.

What is the amount of additional output VAT which TDP Co will need to pay to the tax authorities (rounded to the nearest VND million)?

- A. VND 9 million
- B. VND 10 million**
- C. VND 11 million
- D. VND 20 million

Answer: $(200 \text{ million} \times 10\%) - (200 \text{ million} \times 5\%) = 10 \text{ million}$

28. On 1 April 2014, Mr Chau, a Vietnamese national, started employment with a new employer, CTD Co. CTD Co has a policy whereby both the employer and the employee contribute to a voluntary pension fund approved by the Government. The monthly contributions for the employer and the employee, respectively, are VND4.5 million and VND2 million.

What is the amount of the deduction Mr Chau can claim against his taxable income for the above contributions in 2014?

- A. VND9 million**
- B. VND78 million
- C. VND24 million
- D. VND18 million

Answer: Capped deduction VND1 million/month * 9 months = 9 million.

29. Which of the following statements are correct?

- (i) The Vietnamese language shall be the official language used in all tax-related documents to be submitted to the tax authorities
- (ii) Documents in a foreign language must be translated into Vietnamese. All translations must be performed or certified by an authorised public notary
- (iii) Where the documents in a foreign language are more than 20 pages (of A4 size) long, the taxpayer is allowed to translate only the key provisions relating to the determination of the tax obligations (plus a written explanation to the tax authorities)

- A. i only
- B. ii and iii only
- C. i and iii only**
- D. i, ii and iii

30. In 2017, company DMS Co purchased materials from suppliers who are households doing business. DMS Co wanted to use the list of goods purchased (without invoices) to claim taxdeductible expenses for these purchases.

What is the threshold of annual revenue which households doing business must satisfy for DMS Co to use the list of goods purchased method to claim for the purchases as a tax deductible expense?

- A. VND300 million
- B. VND200 million
- C. **VND100 million**
- D. VND50 million

Answer: [Article 6, point 2.4 of Circular 78/2014/TT-BTC]

IV. NUMERICAL REASONING AND SITUATIONAL JUDGEMENT (5 questions)

31. You are working as a graduate trainee in a large bank. Whilst undertaking your placement with the customer service team, you take a call from an upset client. He is claiming that he was expecting a refund on some banking fees he was wrongly charged for but he has not received them. He explains that a colleague of yours promised refund would be in his account today but the money has not arrived yet. He is getting more upset and is raising his voice to you. What would you say to him?

A. **"I will do all I can to help you with this issue. If you give me your account details I will investigate what has happened here."**

B. "Let me check with the colleague you mentioned about what the situation is. If you can hold for a couple of minutes I will speak to them and will be back with you in no time."

C. "Sir, I can hear that you are really upset but I need you to calm down so that I can help you."

D. "I am sure there is a logical explanation for this. If you give me your details I will look into it for you."

32. You are working as a graduate trainee in an electronics company and are currently part of an international project team looking at new routes to market. During a conference call, you are finding it difficult to understand what one of your colleagues is saying. She is a graduate trainee like you and you have met her a few times during a couple of conferences you both attended and you got on well. Her accent is very strong and she has a tendency to speak very quickly when she is nervous. She is one of a number of people dialling in from outside of the UK. You are in a meeting room with the project lead and a couple of other colleagues. You can see that your colleagues are also finding it difficult to understand her. What would you do?

A. "When your colleague is no longer speaking, send her an instant message explaining that she may benefit from slowing down a little as there are a few people who are finding it difficult to understand her in the room where you are."

B. "After the call acknowledge your concerns to the others in the room and suggest that you all compare notes to make sure you have a shared understanding of what she was actually saying."

C. "Mention your concerns to the project lead after the call, offering to speak to your colleague if the project lead would like you to, explaining that you have a working relationship with her."

D. **"Call your colleague afterwards to ask how she is finding the project and tactfully mention that at times you found it difficult to understand what she was saying, politely suggesting that just slowing down a little would help."**

33. In year 3, how much more than Italy did Germany spend on computer imports?

- A. 650 million
- B. 700 million**
- C. 750 million
- D. 800 million
- E. 850 million

34. If the amount spent on computer imports into the United Kingdom in Year 5 was 20% lower than in Year 4, what was spent in Year 5?

- A. 1,080
- B. 1,120**
- C. 1,160
- D. 1,220
- E. 1,300

35. Which number should replace the question mark?

17	8	5	5
13	7	5	4
6	12	6	3
10	6	4	?

- A. 4**
- B. 5
- C. 6
- D. 7